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Anthony Ferner*

Public Sector Industrial Relations in Europe:

Common Trends and the Persistence of National Variability**

This article reviews industrial relations trends taking place in the public sector in Europe in a context of widespread state restructuring and public management reform. Decentralisation, 'marketisation' and privatisation are examined in terms of their impact on aspects of industrial relations such as employment growth, pay determination, and the reform of machineries of negotiation and consultation. Having identified a number of common tendencies, however, the article points to persisting national variations in the extent and style of change. It seeks to explain these in terms of the differing roles played by the public sector in post-war models of development. It also considers the specific national institutional and political arrangements - constitutional provisions, the status of civil servants, and the mechanics of electoral systems, etc. - that may hinder or encourage state sector reform.

Dieser Artikel gibt eine Übersicht über die wichtigsten Entwicklungstendenzen im öffentlichen Sektor, der überall durch Versuche von Staatsmodernisierung und Reformen des öffentlichen Managements gekennzeichnet ist. Es wird untersucht, wie Dezentralisierung, Marktmodelle und Privatisierung auf wichtige Aspekte der Arbeitsbeziehungen wirken, insbesondere auf das Wachstum der Beschäftigung, die Festlegung von Vergütungen und die Verhandlungs- und Beratungsverfahren. Nachdem eine Reihe gemeinsamer Entwicklungstendenzen identifiziert worden ist, werden anhaltende nationale Besonderheiten im Ausmaß und im Stil der Reformen hervorgehoben. Danach wird versucht, diese Unterschiede in der unterschiedlichen Rolle des öffentlichen Sektors in den Nachkriegswirtschaften zu verankern. Schließlich werden die spezifischen nationalen Institutionen und politischen Arrangements, wie Verfassungsrechte, Status der Beamten und Wahlverfahren daraufhin untersucht, ob sie die Reform des öffentlichen Sektors behindern oder ermutigen.

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1. Introduction

The need to 'roll back' the state has become a commonplace of political discourse for some years. Led by the proponents of the so-called 'new public management' (see e.g. Aucoin 1990; Hood 1991), critics of the massive post-war growth of the state have posed broad questions of *what* the state can legitimately do, and of *how* it does it. They have argued that public interventionism must be curbed to prevent 'crowding out' of the private sector and to allow the freer operation of markets; and that the state's own activities must be restructured to ensure greater efficiency. The 1980s and 1990s have seen such prescriptions incorporated into the public reform policies of most European governments.

The pressures to reform the state flow from a combination of long- and shorter-term developments - the relentless growth of public employment in the post-war period; successive oil shocks followed by economic crisis and deep recessions; the resulting sharp acceleration of public sector deficits; the forces of European integration and the associated framework of supra-national regulation. The thrust to reform has had profound consequences for industrial relations and the management of 'human resources' within the public sector, and these form the subject of the present article. After outlining recent projects for reforming the state, the article examines their industrial relations consequences in Section 3. The main underlying question is how far the common causes of reform have engendered common processes and outcomes in public sector industrial relations. Section 4 attempts to explain the continuing variability of outcomes in different European countries. Finally the conclusion asks how viable are the assumptions of the emerging new model of public sector industrial relations.

2. Restructuring the State

One of the main changes of the past decade or so has been the focus on the internal *processes* of the state, rather than on just the level of expenditure (OECD 1990) (See figure 1).

First, administrative authority has been widely devolved. There has been a shift from bureaucratic, hierarchical procedures to more entrepreneurial managerial styles, reinforced by systems of appraisal of performance against targets. In many countries, but most notably in Britain and Sweden, central government authority has been delegated to agencies with considerable managerial autonomy, allowing the separation of policy generation from implementation.

Figure 1: Examples of Recent Public Sector Reform Initiatives in Europe

Austria	###	privatisation
	###	planned 2 per cent annual reduction in public employees over five years (started 1990)
	###	improvement of administrative management through 'Administrative Management Project', launched 1988, e.g. decentralisation of personnel recruitment
Belgium	###	Decentralisation of executive powers to Regions & Communities
	###	introduction of 'a true management culture'; new recruitment policies; increased financial autonomy; more autonomous management regime for public enterprises
Denmark	###	increasing decentralisation and 'market orientation'
	###	market-type model introduced for several service areas; contracting out (from 1992)
	###	privatisation (e.g. of Giro-Bank, telecommunications etc.)
	###	experiments with 'free agencies', with greater autonomy in staff matters, within agreed budgets
France	###	local and individual pay supplements
	###	from 1982, decentralisation of powers to territorial authorities (e.g. education)
	###	devolution from central administration to the 'field', including financial & human resources; 'contractualisation' of relations between central government and administrative units (1992 'Charter of Deconcentration')
	###	privatisation programme (1986-8; 1993-)
	###	from 1988, comprehensive policy of public sector modernisation: greater staff accountability, closer evaluation of outcomes, emphasis on client service
Germany	###	1983-: efforts to promote 'debureaucratisation'
	###	1983-6: improved flexibility in working time, especially part-time jobs
	###	planned privatisation of telecommunications
Italy	###	1983, 1992: legislation bringing public sector IR more into line with private sector (move from state regulation to collective bargaining); encouragement of staff mobility
	###	devolution of powers to regions
	###	initiatives on efficiency
	###	limited privatisation of state holdings, especially since 1994

Netherlands	###	decentralisation of authority to 'micro' level, e.g. municipalities and regional bodies
	###	slimming of central government to concentrate on 'core' activities, with reduced staff
	###	creation of independent agencies as part of shift from 'resource-oriented authorisation to performance-oriented accountability'
	###	greater autonomy (including privatisation) for trading activities (e.g. posts & telecommunications)
	###	'normalisation' of industrial relations towards a private sector model (collective bargaining, consultation, right to strike etc.)
Spain	###	efforts to promote 'new public service culture', incl. MBO and decentralisation
	###	restructuring of ministries to allow for more autonomous management of individual 'administrative modules' of activity
	###	devolution of personnel responsibilities to managers
	###	emphasis on service quality e.g. in postal services, education and health
	###	establishment of civil servants' rights to representation and collective bargaining
Sweden	###	emphasis of 1991 centre-right coalition on long-term efficiency and planned reduction in public expenditure
	###	decentralisation of responsibilities (including for personnel issues) to agencies; slimming down of central government
	###	decentralisation of elements of pay determination
	###	more autonomy for municipalities with reduction of central regulations (e.g. the 'Free commune' experiment)
	###	policy of privatisation of activities open to competition, including at local level
	###	strengthening of management by objectives and evaluation systems
United Kingdom	###	decentralisation of central government through Next Steps Initiative creating 'executive agencies'
	###	'internal markets' in education and health
	###	privatisation of major public enterprises
	###	contracting out of wide areas of work in local government and health services
	###	fragmentation of bargaining structures
	###	introduction of performance-related remuneration

Source: OECD 1992; 1993a.

Another form of devolution has been the decentralisation of power away from central state bureaucracies to lower tiers of elected representatives at local or regional levels. This has occurred in countries as diverse as Belgium, Denmark, France, Italy, Spain and Sweden, though in Britain, perversely, the power of the central state has been significantly reinforced vis-à-vis local government. In France, the

decentralisation of responsibilities to regions, departments and municipalities has marked a major step away from the traditions of the strong interventionist central state, encouraging the growth of service provision by more entrepreneurial coalitions of actors at local level (Lorrain 1993).

A second broad area of reform has been the 'marketisation' of the public sector, that is the attempt to make public services approximate more closely the operations of the private sector. Thus telecommunications, postal and railway authorities have all won greater commercial freedom as corporate status has replaced direct ministerial control in Italy, France, Germany and the Netherlands among others. More radical reform - with Britain as usual in the vanguard - has seen the introduction of quasi-market competition into hitherto untraded activities. The British government has established an 'internal market' in the health service, in effect allowing more successful hospitals to win more contracts to provide patient care, and thus receive a greater share of resources; something analogous is developing in the schools sector.

The third element of state reform, and in some ways merely the logical conclusion of 'marketisation', is the privatisation of state activities. Compulsory competitive tendering has led to the contracting out of many services to private firms, not only in Britain but elsewhere: in Germany, Sweden and Denmark, for example. Decentralisation in France has encouraged the increasing provision of a wide range of local services by private sector companies (Lorrain 1993). However, the main focus of privatisation has, inevitably, been the great corporations of the state trading sector, not least since the proceeds of their sale help offset escalating government deficits. Several countries are well advanced in plans to privatise, wholly or partly, their telecommunications authorities, and many have already sold off state-owned companies in manufacturing and financial services. So far, however, only France seems likely to match the scale of privatisation achieved by Conservative governments in Britain, although the political upheavals in Italy may have cleared the way for a similarly radical programme.

3. The Industrial Relations Consequences of State Reform: Common Trends

The rolling back of the state and the reform of its internal operations have in many respects transformed the industrial relations of the state sector. The impact has been both direct and indirect. Governments have intervened directly to reform state collective bargaining machinery and to cut labour costs (which generally account for around two-thirds of current state expenditure) by restraining pay and reducing employment levels. Indirectly, the responses of public managers to the changing frameworks of responsibility and reward within which they now operate have had major industrial relations ramifications.

Falling Employment

Employment, which continued to grow until the end of the 1970s (see Tables 1 & 2), has been curbed pretty well everywhere, although Britain is one of the few

countries where levels have actually fallen: in 1992, UK total public employment was at levels last seen in the early 1960s (CSO 1994: 168-9).¹

Table 1: Personnel in Public Sector, 1991 ('000s)

	<i>public sector employment</i>	<i>as % of total employment</i>
Austria ^a	590.7	17.0
Belgium	883.6	23.1
Denmark	693.0	27.1
Finland	668.8	28.6
France	5,469.5	24.2
Germany ^b	4,718.0	16.1
Greece	506.5	13.9
Ireland	270.6	24.1
Italy ^a	3686.7	17.2
Netherlands	814.0	12.5
Norway	584.0	29.1
Portugal	695.6	15.1
Spain	2,128.1	16.9
Sweden	1,529.0	35.0
Switzerland ^c	539.4	15.2
United Kingdom	4,890.0	18.9

Source: OECD 1994.

a 1992; b western Germany; c 1985

Table 2: Public Sector Employment in Europe, 1979-90

¹ Attempts to assess the size of state sector employment are a definitional minefield. The figures in Table 1 are a rough indication only, given that different countries use different definitions of the activities included in the public sector, and these in some cases vary over time.

	Annual average growth rate				share in total employment				
	'70-75	'75-79	'79-84	'84-90	1970	1975	1979	1985	1989
Austria	4.1	3.0	1.9	2.7	13.2	16.3	17.6	19.1	21.1
Belgium ^b	3.0	4.1	0.9	0.7	13.6	15.6	18.3	19.9	19.9
Denmark ^a	6.5	4.6	2.5	0.7	17.2	23.6	26.9	30.2	30.1
Finland	5.0	4.3	3.2	2.2	12.1	14.8	17.2	18.9	20.6
France	2.0	1.7	1.8	1.0	17.6	19.0	19.9	22.1	22.8
Germany ^a	3.8	1.9	1.0	1.5	11.1	13.8	14.7	15.5	15.6
Greece ^b	2.6	3.3	2.2	2.5	7.4	8.2	9.1	9.4	10.1
Ireland	4.1	4.5	1.9	-0.8	12.0	14.4	16.1	18.3	17.9
Italy	3.8	2.6	1.4	1.3	12.3	14.6	15.8	16.6	17.4
Luxembourg	3.0	2.2	1.5	3.0	9.4	9.7	10.6	11.3	11.4
Netherlands	2.1	2.5	0.7	0.3	12.2	13.6	14.7	16.1	15.1
Norway ^b	5.0	5.3	3.7	2.8	17.9	21.7	24.3	28.1	29.3
Portugal	4.0	6.2	6.2	3.4	7.9	8.5	10.5	13.3	14.6
Spain ^c	7.6	5.0	2.9	4.0	5.5	7.8	10.0	12.8	13.7
Sweden ^b	5.3	4.6	2.2	0.0	20.9	25.7	29.9	32.9	31.8
Switzerland ^b	3.7	2.7	1.4	0.9	7.5	9.0	10.1	10.2	10.5
UK	3.1	0.8	-0.3	-0.2	18.1	20.9	21.2	21.8	19.6

Source: Oxley and Martin 1991: 168.

a latest year available 1989; b latest year available 1988; c latest year available 1987

The major area of decline has inevitably been in public enterprises. This was the result not only of privatisation but also of the rationalisation of remaining state industries. Countries such as Italy, Spain and France abandoned, in some cases reluctantly, traditional policies of using public enterprise as a 'social buffer' against mass unemployment, and as 'hospitals' for ailing private sector firms. In Britain, the combined effect of rationalisation and privatisation was to reduce public enterprise employment from its 1979 level of 1.8 million to half that in the early 1992.

Pay Determination

The real earnings of public employees stagnated everywhere in Europe in the 1980s and they generally fell relative to the private sector (Oxley and Martin 1991). Government attempts to hold back public sector labour costs were fuelled by rising deficits - since public employment had grown, the impact on expenditure of pay rises was correspondingly greater - and by the convergence conditions associated with moves to greater European integration. It was common in the 1980s for governments to weaken mechanisms linking public sector pay with inflation or with pay movements in the private sector. The tradition of 'fair comparisons' was supplemented or replaced by an emphasis on market-related pay. This often encouraged greater flexibility within national systems of pay determination, particularly to allow local managers to attract scarce staff in tight labour markets (on Sweden see e.g. Wise 1993; also OECD 1990). At times, governments have resorted to scarcely disguised incomes policies, usually in the form of pay guidelines. This has sometimes been the trigger for industrial conflict. One recent example is the 1994 dispute involving railway signalmen in Britain after ministers intervened behind the scenes to prevent the employer reaching a settlement above the government's public sector 'guideline'

of 2.5 per cent; another is the unrest in the German public services as federal and regional negotiators tried to impose a 'zero' settlement under pressure from the Bundesbank for expenditure restraint (*Financial Times*, 22 January 1994).

But the clearest sign of the times has been the use of pay determination as a device for achieving managerial efficiency goals. Different forms of performance-related pay have been widely introduced since the 1980s (OECD 1993b). It is questionable how far such schemes have promoted productivity and efficiency. In some cases they are not linked to formal target setting and appraisal systems, and experience has been mixed, leading to the revision of many schemes. They suffer the problems of all such schemes (see e.g. Kessler and Purcell 1992), but in addition have some that are *sui generis*. For example, at a practical level, public sector resource constraints have limited the funds available for them. More generally, much public sector work is not suitable for crude measurement of outputs (e.g. Stewart and Walsh 1994); while the individual performance ethic runs the risk of eroding the traditional ideology of 'public service'. For example, government efforts to impose performance-related pay in the British schools sector has deeply offended the professional sensitivities of teachers. Indeed, the limitations of incentive pay schemes suggest that it is their symbolic function that is uppermost in the minds of policymakers: to signal the change in ethos away from administrative provision to one based on entrepreneurial and managerial logics of efficiency, productivity, change and competitiveness (see Ferner 1994: 63-5).

In addition to the new pay systems, other mechanisms are being increasingly used to inject greater flexibility into public administration. Reforms have attempted to loosen characteristically rigid job hierarchies and career progression structures, such as those of the French *corps*, encouraging mobility between different subgroups as in the various *comparti* composing the Italian public sector, and allowing greater recruitment from the private sector. There has been some erosion of the special statutory protection typical of the employment conditions of civil servants in many continental European states, although the status of, say, *Beamte* in Germany remains strong, and could have a significant impact on the course of current privatisation plans.

In some countries, part-time and temporary contracts of employment have been used to increase flexibility and lower costs (ILO 1988). The great majority of those on non-standard contracts have been women, and in many cases their job security and employment conditions have been inferior to those of standard workers. The trend to part-time working has been particularly marked in Germany, France and Britain; in the last of these it has been explicitly encouraged by government policy. But it is by no means uniform, and in some cases, the use of atypical contracts appears to be falling.

The Reform of Industrial Relations Machinery

The desire to modernise state structures has had a major impact on forms of employee representation. First, a strong trend in continental Europe has been the erosion of the doctrine of state sovereignty, and the replacement of unilateral employer determination by modern bilateral collective bargaining structures. This has partly responded to concerns for efficiency. A notable case is the drive to 'privatise' industrial relations in the Italian public sector (i.e., to render them more like those of the private sector) - particularly under the decree law 421/1992 which brought 3.6 million public employees under the same general legal framework of employment that applies to other workers. *Privatizzazione* of state industrial relations is seen as a precondition for the control of state expenditure (Treu 1991), as well as for the 'Europeanising' of Italian institutions.² But analogous developments elsewhere have also reflected labour movement demands, notably in the Netherlands, France and Spain.

Second, decentralisation of management structures has been mirrored in the decentralisation of collective bargaining machineries in several countries. In Sweden, for example, bargaining has been devolved to executive state agencies, in the Netherlands, from national to lower (regional or municipal) levels. The pattern in Britain, with its tradition of uniform national agreements in the public sector, is one of increasing fragmentation. Executive agencies have acquired greater control over pay determination and other industrial relations matters from central government (*IRS Pay and Benefits Bulletin* 348, March 1994: 6-10); current plans are for pay and grading of all civil servants below senior level to be devolved to individual ministries or agencies by 1996. There are similar centrifugal pressures in local government, health and education.

However, there are strong counterpressures to the decentralising trend. Even in Britain, the move to decentralised bargaining is limited by political sensitivities of services such as health and education, by organisational complexity and in some cases the small size of potential bargaining units, the lack of adequate management skills at local level, and the rearguard action of unions and professional associations to preserve national salary and grading structures (Bach and Winchester 1994; see also Bailey 1994).

In any case, there is a continuing tension between devolved bargaining and central state efforts to control public expenditure. Neither is it clear that decentralised bargaining will produce more 'efficient' outcomes for the employer: it may merely produce what one commentator has called (in the context of the British health and education sectors) 'a massed web of local agreements which will prove a nightmare to negotiate and implement' (Seifert 1990: 56). Moreover, decentralisation may well promote a new pattern of 'microconflict' (Treu 1987), a kind of industrial guerrilla warfare, as lightning strikes replace (or rather, supplement) the nation-wide pitched battles of traditional public sector conflict. This is made more likely by the growth of

² Hence the title of Treu's paper, 'Public employment: Will we succeed in bringing it into Europe?'

powerful occupationally-based groups such as *cobas* (*comitati de base*) and autonomous unions, prepared to use their industrial muscle to pursue the interests of 'group-egoism'.

4. The Persistence of National Variability

Despite the common trends in public sector industrial relations that have been described above, there continues to be a striking degree of variation among different countries, both in the extent of change and in the means used to achieve it. Britain is the outstanding paradigm of radical state restructuring, far-reaching in its reforms and driven by a fierce if not necessarily coherent ideological motivation. The key element of the ideology has been an unremitting enmity to the post-war model of state intervention and at times indeed to the very notion of the 'public sector'. The influence of the British model has been pervasive (not only or even mainly in Europe, but world-wide); the current privatisation programmes of the French and Italian governments are obvious examples. But state modernisation in the rest of Europe has generally been cautious and pragmatic by comparison with the British, and has often been achieved with a degree of social and political consensus rather than through bitter confrontation and division. Nowhere but in Britain has the humbling of the public sector unions been a major objective of state reform (although even in Britain, levels of public sector unionism have held up well, and most employees are still covered by collective bargaining³ - see Bailey 1994: 116-122).

This section suggests some strands of explanation for the differences between national models. Although 'Britain versus the rest' is the most glaring distinction, more subtle variations are also explored. The first explanatory factor is that restructuring has been delayed and softened in many countries because of the importance of the public sector in sustaining sets of political alliances upon which models of post-war development have rested. This has given rise to a process of *negotiated* change. The second is that political institutions have had an impact on the rationalisation process: while they have often put a brake on change, in Britain the peculiarities of the political system have provided the conditions for radicalism to flourish.⁴

Public Employment as Part of a Web of Socio-Political Accommodations

In a number of polities, the expansion of the public sector has been intimately bound up with the political requirements of particular 'models' of development. In Sweden, for example, social solidarity, represented by solidaristic centralised wage bargaining, combined with the provision of comprehensive state welfare under social

³ The pay of about 200,000 employees is determined by indexation mechanisms linking it to average earnings in the economy, while pay of a further 1.4 million is set by 'pay review bodes' (Bailey 1994: 123-126).

⁴ Ferner 1994 (65-74) provides a detailed consideration of different national 'models' of state reform.

democracy to constitute the 'Swedish model' (e.g. Fulcher 1991; Kjellberg 1992). Thus the rise of public employment was entailed by the model. Similarly, in Italy, public employment has been central to the viability of a model of social integration based on accommodations between the economically dynamic north and the poor south, as well as between capital and labour (Ferner and Hyman 1992). Central and local government and public enterprises were the channels for the transfer of the fruits of industrialisation to the Mezzogiorno, in the form of financial flows and employment opportunities. The central role played by public employment is shown by its continuing growth - by nearly 20 per cent - during the 1980s. The state sector, particularly the nationalised industries, was also in the forefront of the development of participative industrial relations, through such achievements as the 1984 IRI 'Protocol' on structures of workforce participation. The public sector thus acquired a peculiar resonance through its symbolic role as the integrator of diverse interests within the Italian polity.

Once a growing public sector has been established as an integral element in a web of political alliances, there are often strong forces tending to consolidate its role. In post-Francoist Spain, for example, the expansion of public employment provided the re-emerging socialist party, PSOE, with a powerful new base of political and electoral support, which naturally reinforced its further growth as thousands of posts were created to reward adherents. The growing state becomes the site of systems of patronage and clientelism sustaining a particular political model. The post-war Italian state was the paradigm of such developments until the collapse of communism removed much of the *raison d'être* of the system and the edifice began to crumble. Patronage was tacitly institutionalised, with different components of the governing alliance occupying their own 'fiefdoms' within the state (for example, in the various state enterprise holding companies).

Where the state sector and public employment has been so much a part of the fabric of the post-war model, as in Italy or Sweden (or in Spain in the post-Franco period), change has been difficult to achieve since it calls into question the model itself, and in extreme cases may be perceived as posing a threat to national integration. But at the same time, the very role of the state sector may be undermining the model of which it is part.

In Sweden, the growing weight of public employment created serious tensions by challenging the wage leadership of the dominant export sector - the driving force behind the economic success of the Swedish model - and by eroding the 'social solidarity' that was another vital element of the model. Thus the 1970s and 1980s saw increasing tensions between unions in the public sector and those in the export sector, as well as between lower-paid groups and white-collar professionals within the public sector itself. This endangered the ability of the LO to speak with one voice as the peak representative of organised labour. As intensifying international competition and European integration increased the pressures on export interests, a tacit anti-public-sector alliance emerged between private sector unions and employers (Swenson 1992: 52-61), signalling the breakdown of the assumptions of the model.

The central role of the public sector in both the construction of the Swedish model and its disintegration may help explain why Sweden has witnessed some of the more radical developments in state restructuring since the mid-1980s (particularly but not exclusively under the conservative coalition of 1991-4).

It is instructive to compare Sweden with Germany which, despite its similar reliance on the manufacturing export sector, has not witnessed such a marked degree of 'marketisation' and decentralisation of the state. Part of the explanation may be, first, that the state has never played such a central role in the model, and its expansion has been much less - public employment at 16 per cent of total employment was around half the Swedish level in 1990. With pay declining relative to the private sector from the late 1970s, public sector labour costs did not evoke the same reaction in political discourse as in Sweden where they were linked to one of the highest levels of personal income tax in the world (Swenson 1992); nor, unlike Sweden, were they seen as a major threat to the competitiveness of Germany's export sector.

Second, the German labour movement, under the peak organisation DGB, had much broader links with the political system than did its Swedish counterpart. While LO in Sweden was closely allied to the social democrats, German unions were far more pluralist, guaranteeing Christian democrat trade unionists institutionalised representation in union governing bodies; a number of prominent CDU politicians came out of the trade union movement. Thus the presence of a conservative government in power does not exclude the unions from political influence, and this may moderate the pressures for change. In short, the same structural conditions for a broad anti-state alliance have not existed in Germany. Nonetheless, the political and economic stresses caused by reunification may be fuelling pressures for a more radical restructuring of the state in coming years: as witnessed by planned cuts in unemployment and social security benefits.

In short, systems may be caught in a double bind in which change is both necessary to save the model, but impossible to achieve without rupturing the web of alliances upon which the model is based. Thus modernising change when it comes may be associated with a more generalised crisis of the model - Sweden and Italy being examples, perhaps - and for that reason may be more radical and far-reaching.

Institutional Brakes on (or Accelerants of) Radical Change

The institutional framework of state activity may be a powerful influence on the form taken by public sector modernisation. This operates, first, at the level of historically deep-rooted state traditions (cf. Crouch 1993). For example, the tradition of *dirigisme* in France contrasts sharply with the strong strand of *laissez-faire* liberalism in Britain (a reflection of the early relative strength and self-confidence of British 'civil society').

This distinction has permeated the process of state modernisation. Although change has been considerable in France - witness the massive privatisation programme - it has not led to a radical questioning of the entire role of the state as has

happened in Britain. Thus, the government-appointed de Closets Commission went out of its way to defend the *statut de la fonction publique* which guarantees the employment condition of civil servants (de Closets 1989), and it criticised the unthinking importation of private sector managerial techniques to deal with the *sui generis* problems of public management. Moreover, even the huge privatisation programme may have a very different connotation in France where complex interlinkages of power and resources between large firms and the state have been characteristic of post-war development; such linkages have been in some ways preserved by the use of a system of core long-term industrial investors - the *noyaux durs* - in the privatised companies.

At a more concrete level, the specific arrangements embodied in legislation or institutional machineries may likewise influence the speed and progress of the state modernisation process, setting limits on the scope for strategic choice by political actors. For example, changes in the status of certain public sector organisations in Germany - notably the railways and the postal and telecommunications authorities - require constitutional amendments and hence two-thirds majorities in parliament. This has strongly influenced the 'marketisation' and planned privatisation of Deutsche Telekom, since necessary legislative changes require the support of the social democrats. As a result the SPD has been able to extract concessions that soften the impact of privatisation - for example, the SPD agreed to back legislation if money could be found to guarantee future pensions payments (*Financial Times*, 28 April 1994).

The protected employment position of German civil servants (*Beamte*) has likewise coloured managerial calculations (Jacobi et al. 1992: 256-62; *EIRR* 1993). To take the case of telecommunications again, until 1989 the Bundespost tried to increase the proportion of *Beamte*, motivated by the prohibition on strike action. Since that date, however, management has been more concerned with the implications of the protected employment status of *Beamte*, and it has sought to reduce their proportion in the work force, which now stands at 51 per cent (Darbishire 1994; see also Büchner 1993). Such considerations mean that the scale of workforce reductions that have taken place in the British public sector in recent years will be impracticable even following privatisation (since *Beamte* status could not be revoked), and managerial strategies will have to adjust to this constraint.

A final institutional consideration is the mechanics of the political and electoral systems. Forms of proportional representation predispose many European countries to coalition governments and consensual, or at least bargained, change processes. But the British first-past-the-post 'winner-takes-all' system has given rise to what has been referred to as 'elective dictatorship'. This permits an unparalleled degree of strategic choice. Thus a minority party with around 42 per cent of the votes cast has been able to dominate political life totally for fifteen years, and thus to implement a long-term project for the radical reform of the state and other institutional spheres.

Despite the general picture of national institutional heterogeneity, supra-national developments in Europe may well progressively lessen the scope for national

difference. On the one hand, the deregulatory thrust of British public sector reform has been dampened, for example, by the influence of European Community legislation. Most notably, competitive tendering in local and central government and in the health service has been called into question. The 1981 Act which incorporated into British law the 1977 EC directive on the transfer of undertakings specifically excluded public sector workers from its scope. But recent cases in the European court have undermined that narrow interpretation and opened the way for legal challenges by the unions in the British courts. This has created sufficient uncertainty among both public employers and potential private sector contractors to stall further contracting out of services in many areas of the public sector.

On the other hand, the European Union framework of legislation, particularly in the context of deregulation of markets and economic integration, has also sometimes weakened national institutional bulwarks against state restructuring. Thus the provision of public infrastructure has been opened up to competition, a key example being that of telecommunications: in June 1993, the larger member states agreed to open all domestic and international voice telephony to competition by January 1998. As a result, the next few years will see the ending of public monopolies in Europe, and in several countries the telecommunications authorities will be at least partially privatised, and in almost all cases are becoming more 'commercial' in their operations. Another example is the increasing concern with the impact of state subsidies for public enterprises on competition in the single European market, leading private sector interest groups to clamour for the European Commission to veto injections of state aid in sectors such as airlines or steel. In the recent case of Air France restructuring plans, approval for government subsidies was linked by the EU transport commissioner to liberalisation of the French market (see *Financial Times* 13 April 1994); while the use of Community funds to ease the social consequences of steel restructuring was dependent on companies achieving agreed capacity reductions (see Keep 1993).

5. Conclusion: The Viability of the New State Model

To summarise the argument, common pressures to reform the state and its employee relations have affected every European country in the last decade and a half. In some ways, these general pressures are on the increase - in particular, the continuing internationalisation of markets and the cross-border growth of competition in sectors such as telecommunications, cars, energy and air transport are forcing the deregulation of areas of activity in which the state has traditionally had an important and often predominant role. The result has been a general reassessment of the role of the state and the way it conducts its activities. This has had profound but far from uniform effects on industrial relations. The form taken by each national model of state reform has depended on a combination of institutional, political and economic factors: historical state traditions; the detail of political and constitutional systems; the strategic alliances underpinning post-war models of development, and the

centrality of the state and its interest groups in these models; and the size of the state in the economy.

One question is how far this heterogeneity is likely to persist in the future. As mentioned, there are some signs of convergence as a result of the influence of the framework of supra-national European regulation in areas such as competition and social policy. Although this may be eroding the power of national polities to pursue their own state reform strategies, there are as yet no signs of a general homogenisation of approach.

A second, rather different, question is how far the reform of the state will lead to a convergence between the employment relations of the public and the private sector. There are indications that the traditional distinctiveness of the two is breaking down. One reason is that modernisation is eliminating vestiges of older state traditions that supported a separate status for state employees; the chief example among several is the *privatizzazione* of relations in Italy. Another is that the widespread introduction of the managerial practices of the private sector - such as devolved responsibility, performance-related pay, 'internal markets' and so on - is bringing with it associated industrial relations policies.

There are reasons to think that there are limits to such convergence. These are bound up with the question of the viability of the reform path being taken, most clearly by Britain but incipiently by many other countries. The key issue is that the increasing 'privatisation' of the delivery mechanisms may undermine the achievement of the politically-defined objectives that the state exists to serve. In short, there could be a serious clash between the 'political logic' of defining 'needs' and areas of 'public interest', and the 'agency logic' (Ferner 1994) of service provision.

In the UK, where socio-political experimentation has been taken furthest, there have been indications that the government is ready to resolve such tensions by withdrawing progressively from service *definition* as well as service provision, allowing the market to determine what is produced. The very symptoms of failure of the new model - the deterioration of public transport infrastructure, to take one example - are seen as confirmation of the *failure* of the state and an argument for further marketisation: for example, rail services and the Royal Mail postal service are current candidates for privatisation, while the revolution in the management of public administration continues with a plan to introduce personal contracts for top civil servants, their pay being linked to their success in cutting civil service costs (*Financial Times*, 5 July 1994). However, a profound backlash against the new model of public management appears to be gathering pace. An Anglican bishop's recent denunciation of the 'internal market' reforms in the National Health Service as 'unchristian' and 'morally wrong' is a sign of the times, colourful perhaps but not untypical of the changing climate of debate on the role and nature of the state. But if a sea-change really is imminent, the transition back to a more 'conventional' model of public sector industrial relations may be a difficult one: the giant experiment in marketising the state has done much to erode traditions of public service, has jeopardised workforce co-operation in change, and has tainted the necessary process

of evaluating and prioritising political objectives against available resources. Meanwhile most other European countries continue to adopt a more gradualist approach to state reform. It remains to be seen whether they are merely at an earlier phase of their development, with the 'British model' reflecting back at them the image of their own futures; or whether the outcome of the British model will deter them from following in its footsteps.

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